



An Audit of the **University of North Texas Health Science Center at Fort Worth**

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Executive Summary

Purpose and Scope

The objectives of the University of North Texas Health Science Center (Center) audit were to determine whether:

- Contracts were procured according to applicable state laws and Comptroller requirements.
- Payments were processed according to applicable state laws, Comptroller requirements and statewide automated system guidelines.
- Documentation to support those payments was appropriately maintained.
- Capital and high-risk assets were properly recorded.
- Appropriate security over payments was implemented.

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from March 1, 2017, through Feb. 29, 2018.

Background

The Texas College of Osteopathic Medicine (TCOM) accepted its first students in 1970. In 1975, TCOM came under the umbrella of North Texas State University, which later evolved into the UNT System that now includes campuses in Denton and Dallas. With the establishment of the Graduate School of Biomedical Sciences in 1993, TCOM expanded into a graduate university with multiple colleges and changed its name to the University of North Texas Health Science Center.

University of North Texas Health Science Center website:



<https://www.unthsc.edu/about-us/our-history/>

Audit Results

The Center generally complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with purchase transactions or property management. However, the Center should consider making improvements to its payroll, contracting and procurement processes, travel processes, and internal control structure.

The auditors reissued two findings from the last audit conducted at the Center related to travel and internal control structure. Auditors originally issued these findings in May 2012. An overview of audit results is presented in the following table.

Table Summary

Area	Audit Question	Results	Rating
<u>Payroll Transactions</u>	Did payroll transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> • Missing three out of 20 payroll deduction forms. • Incomplete HRIS reporting. 	Compliant, Findings Issued
<u>Contract Transactions</u>	Did the contracts and related payments comply with the GAA, Center internal policies and procedures, best practices and pertinent statutes?	<ul style="list-style-type: none"> • Two contracts with incomplete vendor compliance verifications. • One contract where the Center did not report performance to the vendor performance tracking system. 	Compliant, Findings Issued
Purchase/ Procurement Transactions	Did purchase transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<u>Travel Transactions</u>	Did travel transactions comply with the GAA, pertinent statutes and Comptroller requirements?	 Excessive reimbursement for lodging. <ul style="list-style-type: none"> • Missing travel voucher. 	Compliant, Findings Issued
Fixed Assets	Were tested assets in their intended location, properly tagged and properly reported in the State Property Accounting system?	No issues	Fully Compliant
<u>Internal Control Structure</u>	Are duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	 Two employees with overlapping security access.	Noncompliant



Repeat Finding



Key Recommendations

Auditors made several recommendations to help mitigate risk arising from control weaknesses. Key recommendations include:

- The Center must ensure it maintains the proper documentation required to support all employee payroll deductions.
- The Center must ensure it reports all payroll and personnel transactions to the Human Resource Information System (HRIS) in a timely manner.
- The Center must conduct vendor compliance verification searches prior to each purchase, contract award, extension and renewal. Dated copies of the verification results from the specified websites must be retained as evidence and included in the procurement file.
- The Center must begin reporting contracts and purchases to the Vendor Performance Tracking System.
- The Center must enhance its review process of travel vouchers submitted to the Uniform Statewide Accounting System (USAS) for reimbursement to ensure expenditures comply with state laws and rules.
- The Center must obtain proper documentation for travel expenses prior to processing payment.
- The Center must limit user access by removing the user from the Agency Authorization for Warrant Pickup list or by removing the user's ability to release/approve vouchers in USAS.
- The Center must limit the access of users who can approve paper vouchers (by being on the signature card) to view-only access in the Texas Identification Number System (TINS) (PTINS02).



Detailed Findings

Payroll Transactions

Auditors developed a representative sample of 25 employees (128 payroll transactions totaling \$520,570.87) to ensure that the Center complied with the GAA, relevant statutes and Comptroller requirements. Audit tests revealed no exceptions in these transactions.

A limited sample of 20 voluntary contributions totaling \$1,370.71 was also audited. Audit tests revealed the following exceptions in these transactions.

Missing Payroll Deduction Document

Auditors identified three out of 20 instances where the required payroll deduction documentation was missing. The Center was unable to locate the deduction forms for voluntary contributions for three employees.

Agencies are required to maintain specific documentation to support the legality, propriety and fiscal responsibility of each payment made out of the agency's funds. The Comptroller may require the documentation to be made available during a post-payment audit, a prepayment audit or at any other time. See [Texas Payroll/Personnel Resource – Voluntary Deductions \(FPP F.027\)](#).

Recommendation/Requirement

Auditors recommend that the Center enhance its internal controls to ensure that it maintains the proper documents required to support all employee payroll deductions.

Center Response

In December 2018 we began utilizing the online pledge system for SECC pledges. The online system allows us to download the information into one spreadsheet rather than having a deduction form for each employee. This allows us to retain the data in one file and reduces the possibility of a deduction form not being sent to our imaging system.

Incomplete HRIS Reporting

The Center posts financial transactions to both HRIS and USAS. In a report generated outside of the payroll sample, auditors identified significant differences in gross pay amounts between the two systems totaling \$1,007,652.62 out of \$2,285,122.10 in payroll.

Auditors selected a sample of four transactions with the largest gross pay discrepancies between USAS and HRIS (totaling \$670,078.86) for further review. According to the Center, the discrepancies were due to payment cancellations processed in USAS but not reported in HRIS. The Center also indicated it had not reported cancellations in HRIS since January 2015.



The Comptroller's office collects and maintains payroll and personnel information on all state employees. The information is used to report statistics to various legislative and oversight bodies, media and the general public. Institutions of higher education must report personnel and payroll events to HRIS as outlined in [34 Texas Administrative Code Section 5.41\(h\)-\(i\)](#). Incomplete HRIS information will result in users relying on incomplete/inaccurate information.

Recommendation/Requirement

The Center must ensure that all payroll and personnel transactions are accurately reported to HRIS in a timely manner:

- Personnel transactions must be reported to HRIS on or before the seventh day of the month following their effective date.
- Payroll transactions must be reported and posted by the seventh day of the month following their payment date.

Center Response

Payroll is working in conjunction with our IT services to ensure that the HRIS files containing negative data are correct and will process with HRIS. Testing should be completed by the end of May and negative files submitted in June 2019.

Contract Transactions

Auditors developed a representative sample of seven contract transactions totaling \$473,699.61, as well as two vendor contracts for \$476,200 and \$348,800, to ensure that the Center complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes.

Incomplete Vendor Compliance Verification

Auditors identified two contracts totaling \$825,000 for which the Center was unable to provide vendor compliance verification (VCV) documents. The Center must provide a screen print showing that each verification was performed. The Center stated that a checklist has been developed to ensure purchasers perform the required verifications and include evidence of each verification in the contract file.

Auditors identified the following issues:

- Debarred vendor status was not verified for two contracts.
- Iran, Sudan and foreign terrorist organization check was not verified for one contract.
- Boycott Israel check was not verified for one contract.



Debarment Check

The agency must check the Comptroller's [Debarred Vendor List](#) to establish that a vendor has not been debarred by the Statewide Procurement Division (SPD). An agency may not award a contract to a debarred vendor, according to the [Texas Government Code, Section 2155.077](#). This helps ensure state agencies contract with reputable companies.

Iran, Sudan and Foreign Terrorist Organization List Check

Governmental entities may not contract with a company doing business with Iran, Sudan or a foreign terrorist organization. See [Texas Government Code, Sections 2252.001\(2\)](#) and [2252.152](#). Prior to award, the agency must check the divestment lists to determine if the potential awardee is in violation of this requirement, as required by [Texas Government Code, Sections 2252.153](#) and [2270.0201](#). The divestment lists are maintained by the Texas Safekeeping Trust Company and posted to the Comptroller's [Divestment Statute Lists](#). If a business is in violation, the contract may not be awarded to that vendor.

Boycott Israel Check

Governmental entities may not contract with a company for goods or services unless the contract contains a written verification from the company that it does not boycott Israel and will not boycott Israel during the term of the contract. See [Texas Government Code, Section 2270.002](#).

Recommendation/Requirement

The Center must conduct each VCV search before any purchase, contract award, extension or renewal. A final check of the VCV listings must be made before any contract award to ensure the Center does not award contracts to any person or vendor whose name appears on the lists. Dated copies of the review results from the specified website must be retained as evidence and included in the procurement file.

Center Response

We have revised our manual RFP process by updating the formal solicitation checklist to include a manual check of the vendor list prior to submission distribution to team. The results will be stored in the procurement file. This will be an addition to our existing process, which did not allow the resultant purchase orders to be dispatched without successfully passing a system check of the state debarred list.



Failure to Report to the Vendor Performance Tracking System

Auditors identified one contract where the Center did not report vendor performance to the SPD's Vendor Performance Tracking System (VPTS).

SPD administers a VPTS for use by all agencies per [34 Texas Administrative Code Section 20.115\(b\)](#), and requires agencies to gather information on vendor performance. In addition, [Texas Government Code, Section 2155.089](#) states that after a contract is completed or otherwise terminated, each state agency must review the vendor's performance under the contract, and report it to the Comptroller's office using the tracking system established by [Texas Government Code, Section 2262.055](#).

Recommendation/Requirement

The Center must begin reporting contracts and purchases to VPTS in order to:

- Identify vendors demonstrating exceptional performance.
- Aid purchasers in making a best value determination based on vendors' past performances.
- Protect the state from vendors with unethical business practices.
- Identify vendors with repeated delivery and performance issues.
- Provide performance scores in four measurable categories for centralized master bidders list (CMBL) vendors.
- Track vendor performance for delegated and exempt purchases.

Center Response

We have discussed this issue with our Office of General Counsel and we respectfully disagree with this finding.

Texas Education Code §51.9335 provides that an institution of higher education may acquire goods or services by the method that provides the best value to the institution. In doing so, Texas Government Code Subtitle D, Title 10 and Subchapter B, Chapter 2254 do not apply, except that institutions of higher education must comply with (1) rules related to contracting with historically underutilized businesses, and (2) rules relating to procurement from persons with disabilities. The requirement that state agencies report vendor performance to the Vendor Performance Tracking System is in § 2155.089, as part of the chapter on purchasing requirements, procedures and programs - and is thus included within the exemption from Government Code Subtitle D, Title 10. This exemption from reporting is supported by a corresponding exemption from using the Vendor Performance Tracking System provided to institutions of higher education in Government Code § 2262.002(a).



In addition, the post-payment audit report itself makes it clear that the reporting of vendor performance under § 2155.089 is part of, and directly related to, the acquisition of goods and services. In looking at the bullet point list under Recommendation/ Requirement, every point given relates to the acquisition of goods and services (e.g. identify vendors demonstrating exceptional performance; aid purchasers in making a best value determination; identify vendors with repeated delivery and performance issues, etc.).

Finally, if the Legislature wanted to make an exception to the Subtitle D, Title 10 exemption, it would have included the exception along with the exceptions for HUB and persons with disabilities.

Comptroller Response

The Comptroller's office respectfully disagrees that the Center is exempt from reporting to the Vendor Performance Tracking System.

While it may appear at first that Education Code, Section 51.9335(d) exempts institutions of higher education from Government Code, Title 10, Subtitle D, such a broad exemption would conflict with the definition of "state agency" in Chapter 2151, which specifically includes such institutions. Due to that apparent conflict, the references to "acquisition" and "procurement" in Section 51.9335 must be read as limiting the scope of the exemption. Specifically, institutions of higher education are exempt from procurement provisions in Subtitle D, but must follow the rest of the subtitle. Because the reporting of vendor performance under Section 2155.089 is not part of the procurement of goods and services, and cannot possibly occur until the procurement process is complete, it is outside the scope of the 51.9335(d) exemption. The Center must report vendor performance. It should be noted that other higher education institutions, such as University of Texas, report to the Vendor Performance Tracking System.

In addition, the fact that the Legislature listed certain acquisition provisions that apply to institutions of higher education (HUB and procurement from persons with disabilities) further illustrates the distinction between the acquisition provisions in Subtitle D and the rest of Subtitle D. Both the HUB statutes and the procurement from persons with disabilities provisions affect how goods and services are acquired, specifying procurement processes and, for some goods, which vendors must be used.

If the Center would like to clarify this issue for future audits, it could seek an Attorney General opinion or amendment of the statute by the Legislature.

Purchase/Procurement Transactions

Auditors developed a representative sample of 20 purchase transactions (totaling \$776,184.93) to ensure the Center complied with the GAA, relevant statutes and Comptroller requirements. Audit tests revealed no exceptions in purchase transactions.



Travel Transactions

Auditors developed a representative sample of 10 travel transactions (totaling \$3,093.85) to ensure the Center complied with the GAA, relevant statutes and Comptroller requirements. Audit tests revealed the following exceptions in these transactions.

Excessive Reimbursement for Lodging

Auditors identified one travel transaction where the Center reimbursed an employee for two days of lodging that was in excess of the allowable reimbursement rate for the location based on the United States General Services Administration (GSA) rates. The amount claimed in excess of the GSA rate totaled \$40 for each day. The Center indicated that the employee claimed less than the maximum meal reimbursement rate of \$59 per day and used the amount of the reduction to increase the maximum lodging reimbursement rate. However, auditors noted that the reduction in the meal reimbursement was not sufficient to cover the increase in the maximum lodging reimbursement rate.

An employee may only be reimbursed actual lodging expenses not to exceed the maximum lodging reimbursement rate for that location. Agencies must use the federal rates provided by the GSA for both in-state and out-of-state travel within the contiguous United States. See [Texttravel – Lodging Reimbursements](#). In addition, a state employee may claim less than the maximum meal reimbursement rate for a duty point and use the amount of the reduction to increase the maximum lodging reimbursement rate for the duty point. This is allowable for in-state and out-of-state travel. See [Texttravel – Reducing meal reimbursement rate to increase lodging rate](#).

Recommendation/Requirement

Auditors recommend that the Center enhance its review process of travel vouchers submitted for reimbursement to ensure expenditures comply with state laws and rules. The Center should request reimbursement from the employee unless it determines it is not cost effective to do so.

Center Response

Currently the University of North Texas is undergoing the implementation of Concur Travel. Concur Travel allows the University to set automated audit rules to ensure state law compliance as it relates to travel guideline.

In the interim, the travel team was made aware of this audit finding and has received training as to how to detect and identify excessive lodging reimbursement requests.



Missing Travel Voucher

Auditors identified one payment for travel expenses totaling \$322.06 that did not include documentation to support the expense. The Center did not provide a cause for this finding.

Without proper documentation, auditors could not determine whether the information entered into USAS was an accurate reflection of the intended purchases made. Proper documentation must be maintained to verify that payments are valid and to ensure a proper audit trail.

According to [34 Texas Administrative Code Section 5.22 \(i\)\(2\)](#), supporting documentation must justify the claimed expenses in detail. Documentation requirements apply to travel expenses paid directly, as well as travel expense reimbursements.

Recommendation/Requirement

The Center must obtain proper documentation for travel expenses before processing payment. The supporting documentation must be maintained in the Center's files at least until the end of the second appropriation year after the appropriation year in which the document is processed through USAS.

Center Response

Post reorganization of the Office of Sponsored Programs, a request for a cost transfer is processed via a completed cost transfer form, signed by the PI and respective OSP staff. Included with the cost transfer form is supporting documentation to support the justification for the transfer of expense. The approved cost transfer form and supporting documentation are attached to the journal entry submitted through the journal worksheet into EIS for final posting.

Fixed Assets

Auditors reviewed a limited number of fixed assets acquired by expenditures during the audit period to test for proper tracking in the Center's internal system. All assets tested were in their intended location, properly tagged, and properly recorded in the State Property Accounting system.



Internal Control Structure

Control Weakness over Expenditure Processing

As part of the planning process for the post-payment audit, auditors reviewed certain limitations that the Center placed on its accounting staff's ability to process expenditures. Auditors reviewed the Center's security in USAS, TINS and voucher signature cards. Auditors did not review or test any internal or compensating controls that the Center might have relating to USAS or TINS security or internal transaction approvals.

The Center had one employee who could pick up warrants from the Comptroller's office and approve paper vouchers. Another employee could adjust vendor profiles in TINS and approve paper vouchers. An employee must not be able to adjust vendor profiles in TINS, approve paper vouchers, and pick up warrants from the Comptroller's office without oversight. The Center indicated that its security coordinators would be responsible for monitoring security access among the various systems and ensuring adequate separation of duties. Auditors provided the Center with a schedule of this finding during fieldwork.

Auditors ran a report to determine if any of the Center's payment documents processed through USAS during the audit period because of the action of only one person. The report identified one USAS document totaling \$33,021.57 that processed without oversight. The payment was reviewed during the audit and determined to be a valid expenditure.

Recommendation/Requirement

To reduce risks to state funds, agencies should have controls over expenditure processing that segregate each accounting task to the greatest extent possible. Ideally, no individual should be able to process transactions without another person's involvement.

Auditors strongly recommend that the Center implement the following recommendations:

- Limit user access by removing the user from the agency's Authorization for the Warrant Pickup form or by removing the user from the agency's signature card.
- Limit the access of users who can approve paper vouchers (by being on the signature card) to view-only access in TINS (PTINS02). An individual must not be able to change a vendor profile, create a payment and approve the payment.



Center Response

The System Controller - HSC team took over full responsibility for USAS transactions in May 2018. In order to achieve consistency between other member institutions, we are processing the paperwork necessary to make our Security Coordinators the same group as the State Security Coordinators for 769, 773 and 752. This change is appropriate as there already exists an interagency contract between UNTS and UNTHSC. The security levels of the current HSC personnel will be changed to "view-only" access.

Going forward the Security Coordinators will be able to view the whole picture in relation to who has what access for all institutions – 96A, 96B, FM Query, HRIS LOA, TINS, Testing, EHA, WWIC, WebApps and Warrant Pickup – as these are all maintained by Financial System Support/BSSACE. The Security Coordinators also have a standard practice for the state required semiannual security audits and can provide centrally located records for other auditors. Security Coordinators are not users and cannot provide training on "how to," providing clear separation of duties.



Appendices

Appendix 1 — Objectives, Scope, Methodology, Authority and Team

Audit Objectives

The objectives of this audit were to:

- Ensure payments are documented so a proper audit can be conducted.
- Ensure payment vouchers are processed according to the requirements of any of the following:
 - Uniform Statewide Accounting System (USAS),
 - The Uniform Statewide Payroll/Personnel System (USPS),
 - The Standardized Payroll/Personnel Report System (SPRS),
 - The Human Resource Information System (HRIS) or
 - The Centralized Accounting and Payroll/Personnel System (CAPPs).
- Verify payments are made in accordance with certain applicable state laws.
- Verify assets are in their intended locations.
- Verify assets are properly recorded for agencies and institutions of higher education that use the State Property Accounting (SPA) system.
- Verify voucher signature cards and systems security during the audit period are consistent with applicable laws, rules and other requirements.

Audit Scope

Auditors reviewed a sample of the University of North Texas Health Science Center (Center) payroll, purchase and travel transactions that processed through USAS during the period from March 1, 2017, through Feb. 29, 2018, to determine compliance with applicable state laws.

The Center receives appendices with the full report including a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.

The audit provides a reasonable basis for the findings set forth in this report. The Center should implement the recommendations listed in the Detailed Findings of this report. It is the Center's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the Center's documents comply in the future. The Center must ensure that the findings discussed in this report are resolved.



Audit Methodology

The Expenditure Audit section uses limited sampling to conduct a post-payment audit.

Fieldwork

Each auditor in the Expenditure Audit section approaches each audit with an appropriate level of professional skepticism based upon the results of the initial planning procedures.

If an auditor suspects during an audit that fraud, defalcation or intentional misstatement of the facts has occurred, the auditor will meet with his or her supervisor, the Statewide Fiscal Oversight manager, or both, to decide what action or additional procedures would be appropriate.

Audit Authority

State law prohibits the Comptroller's office from paying a claim against a state agency unless the Comptroller's office audits the corresponding voucher.

Texas Government Code, Sections 403.071(a), 403.078, 2103.004(a)(3).

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher.

Texas Government Code, Section 403.071(g)-(h).

- In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis.

Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

Audit Team

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Appendix 2 — Definition of Ratings

Compliance Areas

Definition	Rating
Agency complied with applicable state requirements and no significant control issues existed.	Fully Compliant
Agency generally complied with applicable state requirements; however, control issues existed that impact the agency's compliance, or minor compliance issues existed.	Compliant, Findings Issued
Agency failed to comply with applicable state requirements.	Noncompliant
Restrictions on auditor's ability to obtain sufficient evidence to complete all aspects of the audit process. Causes of restriction include but are not limited to: <ul style="list-style-type: none">• Lack of appropriate and sufficient evidentiary matter.• Restrictions on information provided to auditor.• Destruction of records.	Scope Limitation

Internal Control Structure/Security Areas

Definition	Rating
Agency maintained effective controls over payments.	Fully Compliant
Agency generally maintained effective controls over payments; however, some controls were ineffective or not implemented. These issues are unlikely to interfere with preventing, detecting, or correcting errors or mitigating fraudulent transactions.	Control Weakness Issues Exist
Agency failed to effectively create or implement controls over payments.	Noncompliant

Repeat Finding Icon Definition



This issue was identified during the previous post-payment audit of the agency.